

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
Olympia, Washington**

To:	Pharmacies All Prescribers Managed Care Plans	Memorandum No: 04-02 MAA Issued: January 9, 2004
From:	Douglas Porter, Assistant Secretary Medical Assistance Administration	For More Information, call: 1-800-562-6188
Subject:	Dispensing Fee Payments & Pharmacy Services Washington Administrative Code (WAC) Update	

Effective for dates of service on and after February 1, 2004, the Medical Assistance Administration (MAA) will no longer reimburse pharmacies a dispensing fee for non-drug items, devices, or supplies. Also included with this memorandum is a notice to Pharmacy providers of an update to MAA's Pharmacy Services WAC regarding "dispensing least costly dosage form."

Dispensing Fee Payments for Non-drug Items, Devices, or Supplies

WACs 388-530-1450(2) and 388-530-1650(4), **effective September 9, 2002**, prohibit MAA from paying a dispensing fee for non-drug items, devices, or supplies. Therefore, **effective for dates of service on and after February 1, 2004**, MAA will discontinue reimbursing pharmacies dispensing fees for non-drug items, devices, and supplies billed through the Point-of-Sale system.

Pharmacy Services WAC Update – Least Costly Dosage Form

A new subsection regarding dispensing the least costly dosage form of a drug has been added to the general reimbursement methodology for pharmacy services. The new rule, WAC 388-530-1300(4), takes effect **January 16, 2004**. It states:

"MAA reimburses a pharmacy for the least costly dosage form of a drug within the same route of administration, unless the prescriber has designated a medically necessary specific dosage form."

(The rest of this WAC section has been renumbered.)

Attached are replacement pages C.3/C.4 and I.7/I.8 for MAA's Prescription Drug Program Billing Instructions, dated February 2003. To obtain this memorandum or MAA's issuances electronically, go to MAA's website at <http://maa.dshs.wa.gov> (click on the Provider Publications/Fee Schedules link).

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What drugs, devices, and supplies are not covered?

[Refer to WAC 388-530-1150]

MAA does not cover:

1. Brand name or generic drugs, when the manufacturer has **not signed a rebate agreement** with the federal Department of Health and Human Services.
2. Drugs prescribed:
 - For weight loss or gain.
 - For infertility, frigidity, impotency, or sexual dysfunction.
 - For cosmetic purposes or hair growth.
 - To promote smoking cessation, except as described on page G.1 under *Smoking Cessation for Pregnant Women*.
3. OTC drugs when prescribed for a client residing in a skilled nursing facility.
4. Vitamins and mineral products, except those listed on page C.2.
5. Nutritional supplements such as shakes, bars, puddings, powders, etc.
6. A drug prescribed for an indication that is not evidence based as determined by:
 - MAA in consultation with federal guidelines; or
 - The Drug Utilization and Education (DUE) Council; and
 - MAA medical consultants and pharmacist(s).
7. Drugs listed in the federal register as “**less than effective**” (**DESI drugs**) or which are identical, similar, or related to such drugs. (Refer to: <http://www.hcfa.gov/medicaid/drugs/> for a list of DESI drugs.)
8. Drugs that are:
 - Not approved by the Food and Drug Administration (FDA); or
 - Prescribed for non-FDA approved indications or dosing, unless prior authorized; or
 - Unproven for efficacy or safety.
9. Outpatient drugs for which the manufacturer requires as a condition of sale that associated tests or monitoring services be purchased exclusively from the manufacturer or manufacturer’s designee.
10. Drugs requiring prior authorization for which MAA authorization has been denied.
11. Preservatives, flavoring and/or coloring agents.

12. A drug with an obsolete National Drug Code (NDC) more than two years from the date the NDC is designated obsolete by the manufacturer.
13. Products or items that do not have an 11-digit NDC.
14. Less than a one-month supply of drugs for long-term therapy.

MAA does not reimburse enrolled providers for:

1. Outpatient drugs, biological products, insulin, supplies, appliances, and equipment included in other reimbursement methods including, but not limited to:
 - Diagnosis-related group (DRG);
 - Ratio of costs-to-charges (RCC);
 - Nursing facility per diem;
 - Managed care capitation rates;
 - Block grants; or
 - Drugs prescribed for clients who are in MAA's hospice program when the drugs are related to the client's terminal condition.
2. Any drug regularly supplied as an integral part of program activity by other public agencies (e.g., immunization vaccines for children).
3. Prescriptions written on pre-signed prescription blanks filled out by skilled nursing facility operators or pharmacists. MAA may terminate the Core Provider Agreement of pharmacies involved in this practice.
4. Drugs used to replace those taken from skilled nursing facility emergency kits.
5. The cost differential between the least costly dosage form of a drug and a more expensive dosage form within the same route of administration, unless the prescriber designated the costlier dosage form as medically necessary.
6. Free pharmaceutical samples.
7. Drug products after the NDC termination date.
8. Drug products whose shelf life has expired.

MAA evaluates a request for a drug that is listed as noncovered under the provisions of WAC 388-501-0160 that relates to noncovered services. The request for a noncovered drug is called a "request for an exception to rule." See WAC 388-501-0160 for information about exceptions to rule

Tax

Tax is computed on items determined to be taxable according to the Washington State Department of Revenue.

Dispensing fees

[Refer to WAC 388-530-1450]

MAA does not pay a dispensing fee for non-drug items, devices, or supplies.

MAA uses a three-tier dispensing fee structure with an adjusted fee allowed for pharmacies that participate in the Modified Unit Dose and/or True Unit Dose programs.

Listed below are the MAA dispensing fee allowances (**effective 7/1/02**) for pharmacies:

High-volume pharmacies (over 35,000 Rx/yr)	\$4.20/Rx
Mid-volume pharmacies (15,001-35,000 Rx/yr)	\$4.51/Rx
Low volume pharmacies (15,000 Rx/yr and under)	\$5.20/Rx
Unit dose systems	\$5.20/Rx

A provider's dispensing fee is determined by the volume of prescriptions the pharmacy fills for MAA clients *and* the general public as indicated on the MAA annual prescription count survey completed by the pharmacy.

Provider Enrollment Unit
Division of Customer Support
PO Box 45562
Olympia, WA 98504-5562

REMEMBER to include MAA clients *and* the general public in your total prescription count.



Note: Sale or transfer of business ownership will invalidate your Core Provider Agreement. The new owner must call the Provider Enrollment Unit (see Important Contacts) to acquire a Core Provider Agreement.

Payment

Bill MAA only **after** you provide a service to an eligible client. Delivery of a service or product does not guarantee payment. For example, MAA does not make payment when:

- The request for payment is not presented within the 365 day billing limit.
- The service or product is not medically necessary or is not covered by MAA;
- The client has third party coverage and the third party pays as much as, or more than, MAA allows for the service or product;
- The service or product is covered in the managed care capitation rate;
- It is included in the Nursing Home per diem rate; or
- The client is no longer eligible for Medical Assistance.